STATE OF TENNESSEE
OFFICE OF THE COMPTROLLER OF THE TREASURY
AMENDMENT # 1
RFP # 307.02-002-07

June 21, 2007

The subject RFP is hereby amended as follows.

A. The following RFP Schedule of Events updates or confirms scheduled RFP dates.

EVENT	TIME	DATE	UPDATED/ CONFIRMED
1. State Issues RFP		**May 1, 2007**	CONFIRMED
2. Disability Accommodation Request Deadline		**May 15, 2007**	CONFIRMED
3. Pre-proposal Conference	**9:00 a.m.**	**May 21, 2007**	CONFIRMED
4. Notice of Intent to Propose Deadline		**May 24, 2007**	CONFIRMED
5. Written Comments Deadline		**May 31, 2007**	CONFIRMED
6. State Responds to Written Comments		**June 21, 2007**	CONFIRMED
7. Proposal Deadline	**2:00 p.m.**	**July 10, 2007**	CONFIRMED
8. Complete Initial Technical Proposal Scoring		**August 7, 2007**	CONFIRMED
9. Software Demonstrations		**August 13, 2007 – September 7, 2007**	CONFIRMED
10. State Completes Technical Proposal Evaluations		**September 13, 2007**	CONFIRMED
11. State Opens Cost Proposals and Calculates Scores	**9:00 a.m.**	**September 17, 2007**	CONFIRMED
12. State Issues Evaluation Notice and Opens RFP Files for Public Inspection	**9:00 a.m.**	**September 21, 2007**	CONFIRMED
13. Contract Signing		**October 5, 2007**	CONFIRMED

14. Contract Signature Deadline		**October 12, 2007**	CONFIRMED
15. Performance Bond Deadline		**October 19, 2007**	CONFIRMED
16. Contract Start Date		**October 29, 2007**	CONFIRMED

B. The following State responses to the questions detailed shall amend or clarify this RFP accordingly.

	Question/Comment	State Response
	Note: in the questions that follow, any vendor's restatement of the text of the Request for Proposals (RFP) is for reference purposes only and shall not be construed to change the original RFP wording.	
1	**[Pro Forma Contract] C.3**. Payment Methodology: The norm for Payment of Fees in the property tax implementation contracts is license upon signing of the agreement, and services billed on progress, or a deliverable/milestone basis. We are comfortable with this approach for billing as long as the deliverables and milestones are granular such that the Company doesn't get to an excessive under-billed position. We request there be a more granular milestone or delivery schedule within each phase or sub-phase developed and agreed upon by the Company and State prior to contract signing.	No. Base License fees (C.3.a.i and C.3.a.ii) may be billed after software installation. The State cannot provide a more granular milestone or delivery schedule for contract services. The Payment Methodology remains as written.
2	**[Pro Forma Contract] C.3**. Payment Methodology – 15% Retainage: Given the contract will include a performance bond and liquidated damages, we feel that the inclusion of the retainage, as stated, is onerous. While the concept of retained fee is common in our industry, the length of time and amount of the hold-back is typically less of a burden to the vendor. We suggest all monies retained prior to the 'Go/No Go' decision, scheduled for 09/01/09, be paid at the time the State makes the 'Go/No-Go' decision, and all amounts retained thereafter be paid 90 days after the date of the invoice initially showing the retention. Should the Agreement be terminated for convenience or a lack of fiscal funding, any amounts that have been retained prior to the notice to terminate be paid within 30 days of the notice of termination.	The State does not agree with the vendor's suggestion. The three protections detailed in the RFP—performance bond, liquidated damages, and retainage—exist to provide specific protections in specific cases. The State requires all three types of protection. Retainage provides a financial incentive for contractor performance throughout implementation and, if required, during the warranty period. Regarding contractor's entitlement to compensation in the event of termination, please refer to provisions D.3 and E.3.

	Question/Comment	State Response
3	**[Pro Forma Contract] D.3**. Termination for Convenience: Should the contract be terminated for convenience, we would expect to be paid for all work performed up to the date of termination. We suggest the third sentence be changed to read: "The Contractor shall be entitled to receive compensation for satisfactory, authorized service and software performed/delivered as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered."	With respect to the requested language addition for "software delivered," provision D.3 addresses compensation for services, not software license fees. With respect to the requested language change from "completed" to "performed," payment shall require acceptance of a satisfactory deliverable. The State will not make the suggested change.
4	**[Pro Forma Contract] E.3**. Subject to Funds Availability: Similar to number 3 above, should the contract be terminated through no fault of the Company, we would expect to be paid for all work performed up to the date of termination. We would suggest that the Contractor shall be entitled to compensation for satisfactory, authorized service and software performed as of the termination date.	Clause E.3 currently reads: "Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date." This provision addresses compensation for services, not software license fees. The language in Contract Section E.3 remains as written.
5	**[Pro Forma Contract] E.4**. Breach – Partial Default: We would like to further discuss the intent of this clause with the State to understand the full extent of the State's concerns. For instance, the Breach and Partial-Default seems to treat material breaches and non-material breaches equally. A non-material breach, such as a late delivery of an updated project plan, could be considered a Partial Default under the current definition, even though this would not affect the overall completion of the project. This puts the Company very much at risk and request the State elaborate and clarify this clause	There is no provision within the Request for Proposal (RFP) process for "discussing" contract provisions with vendors beyond this "question and answer process." As a sound business, it is the state's intent to assert any rights under the subject contract provision only as would be reasonable and in the best interest of taxpayers. Inasmuch, the materiality of the contractor's failure to meet contract requirements, of course, would be reasonably considered by the state in such determinations.
6	**[Pro Forma Contract] E.6**. Partial Takeover: We would suggest this clause be modified to only apply to services and not license or support, and to the extent that the Partial Takeover does not affect the Contractor's future obligations. For example, if the Partial Takeover involved the State deciding to take over a larger role in end-user training, the associated value of this training could be easily segregated, and the Company's remaining obligations would not be affected by this partial takeover. However, if the Partial Takeover involved the State assuming a greater role in the requirements gathering phase, the Company's ability to complete required	The language as written only refers to "services," not "licensing." In the event of a partial takeover, it would be in the companies' best interest to immediately notify the State of any future obligations that could potentially be affected. If the State determined, in its sole discretion, that the takeover would render it impossible for the vendor to perform a subsequent obligation, the State would assess its options at that time. The language in Contract Section E.6 remains as written.

	Question/Comment	State Response
	modifications could be affected putting the Company at risk.	
7	**[Pro Forma Contract] G.1** Contractor Performance: Liquidated Damages is common in many of our contracts, however, we need to make sure that the associated penalty will only be invoked if the Company is responsible for the delay. We appreciate the State's intent with the liquidated damages which is to have a penalty in place if the Contactor does not perform, and we suggest a statement be added to each occurrence of the liquidated damages which states: "These liquidated damages will only be invoked for delays which are the sole cause of the Contractor."	The State does not agree to the suggested change. Section A.13.a states "In Contract Attachment G, the State has established discrete, measurable performance requirements for specific areas of **Contractor** performance, along with liquidated damages assessments associated with failure to meet these requirements." [emphasis added] The State does not assert a right to invoke liquidated damages for delays caused by the State. The language of Contract Attachment G.1 remains as written.
8	**[Pro Forma Contract] C.3**. Payment Methodology: We suggest that there be a more granular milestone or delivery schedule within each phase or sub-phase developed prior to contract signing.	See response to item #1.
9	**[Pro Forma Contract] C.3**. Payment Methodology – 15% Retainage: Given the contract will include a performance bond and liquidated damages, we feel that the inclusion of the retainage, as stated, is onerous. We suggest all monies retained prior to the 'Go/No Go' decision, scheduled for 09/01/09, be paid at the time the State makes the 'Go/No-Go' decision, and all amounts retained thereafter be paid 90 days after the date of the invoice initially showing the retention. Should the Agreement be terminated for convenience or a lack of fiscal funding, any retainage be paid within 30 days upon notice of termination.	See response to item #2.
10	**[Pro Forma Contract] D.3**. Termination for Convenience: We suggest the third sentence be changed to read: "The Contractor shall be entitled to receive compensation for satisfactory, authorized service and software performed/delivered as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered."	See response to item #3.
11	**[Pro Forma Contract] D.4**. Termination for Cause: Similar change to item #3 [item 10] above replacing "completed services" with "work performed".	The State will not make the suggested change. Payment shall require acceptance of a satisfactory deliverable.
12	**[Pro Forma Contract] E.3**. Subject to Funds Availability: We would suggest that the	See response to item #4.

	Question/Comment	State Response
	Contractor shall be entitled to compensation for satisfactory, authorized service and software performed as of the termination date.	
13	**[Pro Forma Contract] E.4**. Breach – Partial Default: We would like to further discuss the intent of this clause with the State to understand the full extent of the State's concerns. For instance, the Breach and Partial-Default seems to treat material breaches and non-material breaches equally. A non-material breach, such as a late delivery of an updated project plan, could be considered a Partial Default under the current definition, even though this would not affect the overall completion of the project.	See response to item #5.
14	**[Pro Forma Contract] E.6**. Partial Takeover: We would suggest this clause be modified to only apply to services and not license or support, to the extent that the Partial Takeover does not affect the Contractor's future obligations. For instance, if the Partial Takeover involved the State providing end user training this would be fine; however, if the Partial Takeover was the State taking over the requirements gathering phase, then the Contractor could not practically be responsible to sufficiently complete their future development obligation.	See response to item #6.
15	**[Pro Forma Contract] G.1** Contractor Performance: We appreciate the State's intent with the liquidated damages which is to have a penalty in place if the Contactor does not perform, but the Contractor also needs protection from events beyond its control. We suggest a statement be added to each occurrence of the liquidated damages which states: "These liquidated damages will only be invoked for delays which are the sole cause of the Contractor."	See response to item #7.
16	**[Pro Forma Contract] A.5.b** – Is the State expecting and/or willing to pay annual maintenance and support during the 365 day software warranty period post-live?	Any payments for support and maintenance are to be proposed by the vendor in lines 6.4.B.1, 6.4.B.2, and 6.4.B.4 of the vendor Cost Proposal Schedule. The State is willing to pay annual maintenance and support for software used in production during the warranty period.
17	**[Pro Forma Contract] A.5.d** – Would the State consider modifying this provision to provide clarity to the following points? What media and	The State will require media, content and "user-friendly" documentation consistent with the expectations of a reasonable person.

	Question/Comment	State Response
	content does the State expect by the term "user-friendly manner"? If the State is requesting oversight over the timing of updates and /or new releases is it also requesting the right to refuse implementing them?	A.5.d does not request State oversight of the timing of updates. Implementation of updates is at the State's option.
18	**[Pro Forma Contract] A.5.e** – Is this meant to infer that the State may request enhancements or modifications to the system at any time, including post go-live? Or is it meant to State that the State expects that any maintenance updates will incorporate prior functionality within the system?	A.5.e does not assert a generic State right to demand modifications at any time. Section A.5 refers to Base License System Support. A.5.e requires that maintenance updates incorporate prior functionality.
19	**[Pro Forma Contract] A.7.c.(ii)** – Could the State clarify what its expectations are as to the Design Documentation? Would Functional Designs suffice, or is there another form of Detailed Specification the State has in mind?	Detailed functional design specifications will satisfy the requirements of this contract provision.
20	**[Pro Forma Contract] A.10.b** – Would the State consider a modification similar to the requested in A.5.b above? [item 16]	See response to item #16.
21	**[Pro Forma Contract] A.13.a (Attachment G)** – Would the State consider another form of restitution in the event of a contractor induced delay other than Liquidated Damages? For example, could a discount against future services be provided?	No.
22	**[Pro Forma Contract] D.3** – Would the State consider modifying the language of the fourth sentence to read "The contractor shall be entitled to receive compensation for any revenue recognized for the project based upon previous satisfactory deliverable sign-off from the state?"	No. This section currently states: "The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date …" and stands as written.
23	**[Pro Forma Contract] D.4** – Could this clause be modified to include language that is more objective in regards to a default? For example, could a definition of what "timely and proper" means be added, and could a dispute resolution process be added before an immediate termination?	No. No, "timely and proper" means performance is within the schedules, terms and conditions of the contract. No.
24	**[Pro Forma Contract] D.14** – Can this be modified to account for instances where the State or State employees/agents are	No.

	Question/Comment	State Response
	responsible for a given liability?	
25	**[Pro Forma Contract] E.4.a** – As to liquidated damages contemplated by Section A.13.a above [item 21], please consider that question reasserted as here. As to Part iii, could this be modified to allow the contractor the absolute chance to remedy before the State covers the alleged default? Furthermore, can it be modified to reflect a delivery time of ten (10) working days versus the five (5) calendar days currently called for?	As to liquidated damages, see response to item 21 above. Part iii states that "… the State may revise the time periods contained in the notice written to the contractor." The Contractor's opportunity to remedy the default is at the sole discretion of the State. The delivery time will not be changed.
26	**[Pro Forma Contract] E.4.b** – Would the State consider a modification of this Section, specifically the waiver provision in regards to a State breach. The waiver language is inconsistent with Section D.12 above in the RFP Standard Conditions.	The State does not agree that the provisions of E.4.b and D.12 are inconsistent. The section will not be modified.
27	**[Pro Forma Contract] E.5.a** – Is it the intent of the State to apply the detailed specifications and project documentation as the criteria applied to the prosecution of this warranty?	Yes. This includes specifications subsequently provided for enhancements.
28	**[Pro Forma Contract] E.5.b** – The question from A.5.e is reasserted here. [see item 18 above]	This section details the warranty period for additional modifications. It does not assert a State right to demand modifications outside the scope of services specified in the contract.
29	**[Pro Forma Contract] E.5.c** – Is this warranty meant to cover conversion errors that may not have been discovered prior to go-live, in addition to application defects? In other words, is the warranty meant to cover data cleansing?	The answer to the first question is "Yes." The State intends to provide the vendor with "cleansed data" prior to conversion.
30	**[Pro Forma Contract] E.5.d** – (Part ii) Can this be clarified to state that the 24/7 support shall only be necessary for business critical situations? (Part iv) How does the State propose to determine when errors have been resolved? What about situations where the State cannot make such determination?	24/7 support will only be necessary for business critical situations, including but not limited to statutory driven deadlines. The State will not provide a specific methodology for determining when an error is resolved. With respect to warranty performance, the State will make a reasonable determination of error resolution under Section E.5.d.iv.
31	**[Pro Forma Contract] E.5.f** – By what mechanism does the State propose that the contractor cover costs associated with a warranty failure i.e. future discount, immediate cash settlement?	Contractor liability must be covered on a settlement basis. Section C.7 allows the State to deduct from payments any amounts due and payable to the State by the Contractor. However, the State may not deem a future

	Question/Comment	State Response
		discount to be a viable option.
32	**[Pro Forma Contract] E.6** – Would the State clarify that the last sentence is meant only to apply to the work taken over by the State, and not as a general waiver of liability? Furthermore, would the State consider a clarification that if this clause is exercised, it will not subcontract the work in question to another firm, or a competitor?	Question one: Yes. Question two: No.
33	**[Pro Forma Contract] E.7** – Would the State consider modifying the definition in E.7.a(i), and striking E.7.a(ii) altogether? Would the State consider striking E.7.b(iii) from the Agreement? In the alternative, would the State consider co-ownership of materials described in E.7.b(iii)?	The State will not modify the definitions in E.7.a. With respect to E.7.b.iii, this clause pertains to "Work Products," which are specifically defined in E.7.a.ii as "… customized application software developed by the Contractor **solely** for the State." [emphasis added]
34	**[Pro Forma Contract] E.8.d** – Would the State consider a standard dispute resolution process, as typically used by an escrow agent, prior to demanding source code under an escrow agreement?	No.
35	**[Pro Forma Contract] E.17** – Would the State consider modifications to this Section? Broadly it is vague in how it might be applied, and the ramifications as to the project. Also, comments above regarding liquidated damages are re-asserted here. [see item 21 and item 25]	No. The State does not agree that the provision is vague. See previous responses with respect to liquidated damages.
36	**Attachment 6.6** – Would the State considering reviewing a surety-issued bond form, or must the contractor accept this form *carte blanche*?	As specified in RFP section 1.9, "…The successful Proposer shall obtain the required performance bond in form and substance acceptable to the State (refer to RFP Attachment 6.6)…" And, as provided in *pro forma* contract section E.9, "…The bond shall be in the manner and form prescribed by the State and must be issued through a company licensed to issue such a bond in the State of Tennessee. The Contractor shall obtain the required performance bond in form and substance acceptable to the State…" Attachment 6.6 is a "Sample Performance Bond" indicating minimum requirements. Any bond instrument accepted by the state shall meet said requirements and shall in no way restrict or qualify the rights of the state as detailed in the sample bond.

	Question/Comment	State Response
37	What is motivating your calendar? Would you consider an alternate calendar?	The project schedule is motivated by the divisional business cycles in the Office of the Comptroller. Proposals must be based on the implementation timeline provided in Contract Attachment D, Section D.3, as amended in this document.
38	Will you consider a 6 month extension of the proposed calendar due to the re-release of the RFP?	See response to item #37.
39	Can we get a detailed breakdown of "Improved" real parcel counts into the following categories: Commercial, Residential, Mobile/Manufactured, Agricultural, and Other/Miscellaneous?	An estimated breakdown of “improved parcels” at this time is: Commercial – 100,000 Residential – 1,300,000 Mobile/Manufactured – 160,000 Agricultural – 150,000 Other – 5,000
40	How many Apex user licenses does the state currently own?	The State currently has 150 user licenses for Apex version 3 under annual maintenance. An additional 102 licenses for Apex version 2 were purchased but are no longer under maintenance.
41	3.2.1.163 Please define a private sector tax billing vendor and their function.	Tennessee taxing jurisdictions may contract with a private sector tax billing vendor to provide automated tax billing services. These services include printed documents as well as PC applications for collections. The State provides electronic data to vendors for use in preparing the tax billing data.
42	3.2.1.235 What does user defined testing mean?	Applications that are received back from jurisdictions are processed through specific criteria to determine if the application can be automatically approved or if additional manual processing is needed for approval. These criteria should be definable by a user of the system with appropriate authorization.
43	How much support/training from the vendor would the State like after the Pilot conversion?	Product support requirements are detailed in Contract section A.5. The level of support required from the vendor will depend on the efficacy of vendor supplied training to the Comptroller’s help desk and user support specialists. Training specifications are detailed in Contract Attachment J, section J.5. With respect to the level of training required, “…training must ensure that all authorized designated users have the knowledge and capabilities necessary to use the IMPACT solution.”

	Question/Comment	State Response
44	There is no mention of balancing after conversion. What type of balancing should the conversion program perform?	Balancing will be a key form of validation as required in Contract Attachment J, section J.3.1. Items to balance should include, but not be limited to: • Number of records per database table/ • Assessments, appraisals and parcel counts by distinct groupings, such as property classifications and jurisdictional totals. • Number of building sketches.
45	Is there a schedule or set number of stages regarding the number of times the conversion program will run after the Pilots?	No. Each county's data will require conversion prior to implementation. The county by county implementation schedule has yet to be determined.
46	What version of Oracle will the state be running?	10g.
47	What ESRI software, and versions, will the State be running?	The Comptroller's Office is currently using ArcSDE 9.2, ArcGIS Server 9.2, and ArcGIS Desktop 9.2. The Office intends to upgrade to version 9.3 sometime next year.

C. Delete RFP Attachment 6.1 Attachment D – Item D. 3 in its entirety and replace it with the following:

D.3 Implementation Timeline

The Project team intends to implement the IMPACT software in multiple stages:

Stage 1 - DPA / Tax Billing / Start County-by-County implementation

Stage 2 - Tax Relief

Stage 3 - SBOE Appeals & Exempts

Stage 4 - SBOE CTR

Stage 5 - OSAP

Based on the statutory processing and reporting cycles of the businesses within the scope of the IMPACT project, the team has selected the most likely months for successful Implementation within the State Divisions & Departments:

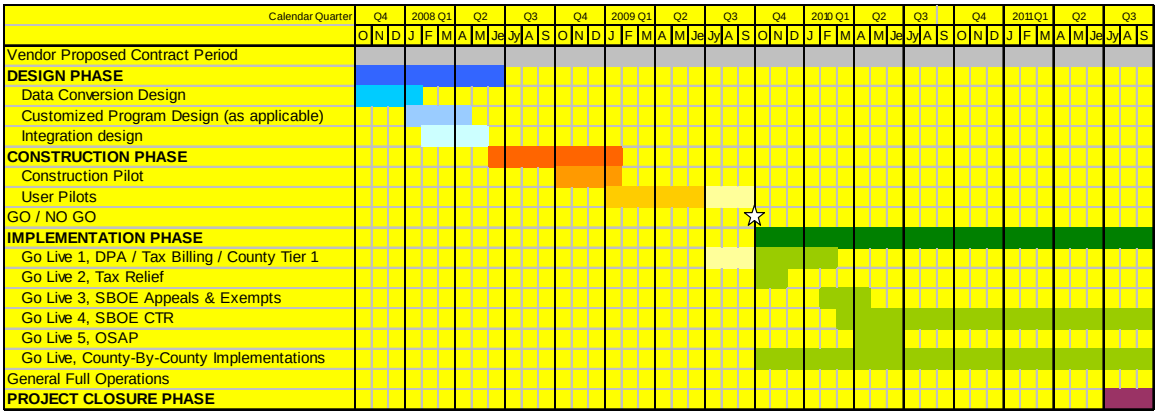
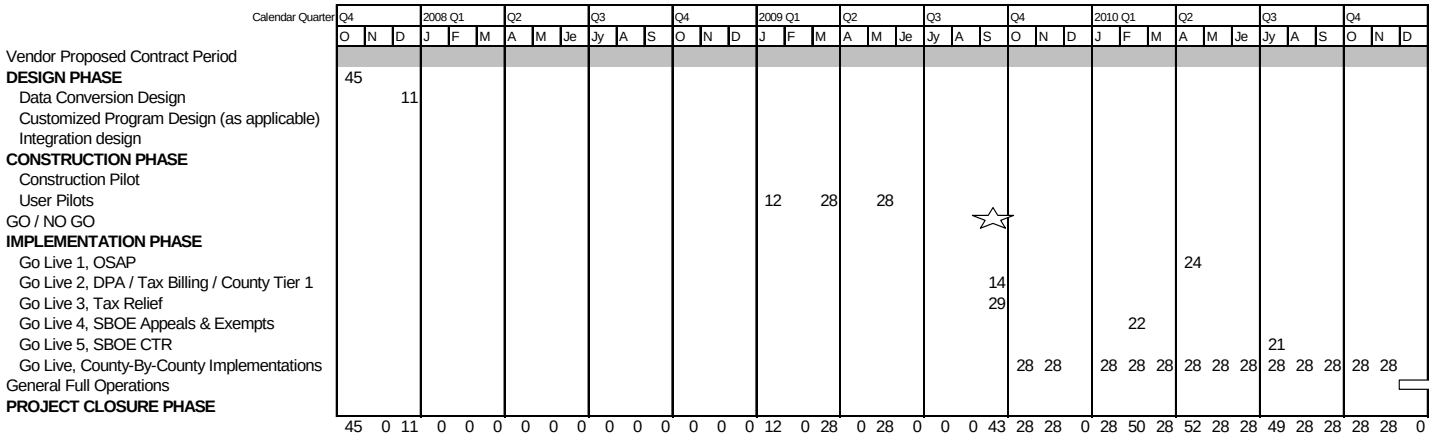
February	March	April
May	June	July
October		

The expected start of the IMPACT Implementation phase is October 2009, beginning with the Division of Property Assessments. Subsequent local (downtown Nashville) State departments would be phased in seasonally based around their peak periods of activity.

The remote County users will be transitioned to the new system on a county-by-county basis. The implementation for County users will begin in October 2009, and will continue through September, 2011.

The State has not scheduled departments, counties, and deployment dates at this time, and will work with the Contractor to create a schedule that best mitigates project risk and allows later deployments to benefit from lessons learned in the earlier stages.

At a high level, the phase timeline is illustrated as:



The estimated volume of users to be trained during these phases is illustrated as: